Kitsap County Real Estate TRENDS Report

Sponsored By:

Kitsap County Consolidated Housing Authority
9265 Bayshore Drive NW, Silverdale, WA 98383
Phone: 360.692.5596 • Fax: 360.692.4374
Email: kccha@kccha.com
Web: www.kccha.com

Home Builders Association of Kitsap County
5251 Auto Center Way, Bremerton, WA 98312
Phone: 360.479.5778 • Fax: 360.479.0313
Email: info@kitsaphba.com
Web: www.kitsaphba.com

Economic Development Council of Kitsap County
4312 Kitsap Way, Bremerton, WA 98312
Phone: 360.377.9499 • Fax: 360.479.4653
Email: edckc@kitsapedc.org
Web: www.kitsapedc.org

Kitsap County Association of Realtors
3689 Munson Street NW, Silverdale, WA 98383
Phone: 360.692.8852 • Fax: 360.692.8862
Email: vivian@kitsaprealtors.org
Web: www.kitsaprealtors.org

Sandra Howes
TRENDS Editor
1076 Rindal Court NE, Poulsbo, WA 98370-8730
Phone: 360.779.4653 • Fax: 360.779.4773
Email: capts2@oz.net

Jennifer L. Hill
Deadline Design
P.O. Box 2128, Poulsbo, WA 98370
Phone: 360.779.8689 • Fax: 360.779.8689
Email: deadlinedesign@att.net

TRENDS Committee, Fall 1999

Kitsap County Consolidated Housing Authority

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And...

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www.cbe.wsu.edu/~wcrer

DEFENSE-RELATED JOBS DECLINED AS PRIVATE SECTOR JOBS INCREASED:

1999 marked the fifth year in which employment in Kitsap County showed a decline in defense-related jobs that was offset by growth in the private sector. Civilian jobs at the County's five primary Defense Department installations fell by 1,600 in 1999 and now amount to only 64% of total DOD jobs as recently as 1993. At year end 1998, however, total employment; Kitsap County increased by 200 positions, with the largest gain coming in the services sector. Furthermore, the unemployment rate in Kitsap County in November, 1999 was 4.3% which is only slightly above the State average of 4.0%. The latter is, of course, heavily influenced by the red hot job market in the Seattle / Bellevue area.

Population Growth has slowed:

Population as of April 1, 1999 was estimated at 227,700, an increase of only 700 (.3%) from 1998. In the past 19 years Kitsap's population has increased an average of 3% per year, but over the last four years the average annual growth has slowed to just over 1%. One of the apparent outgrowths of the anemic net population increase (but also undoubtedly tied to broader demographic trends and increased competition from private schools) is the surprising fall in school district enrollment. The overall reduction was almost 2,000 students (6.5%), with Bainbridge Island being the only district in the County to experience an increase. The biggest impact was on elementary schools (a 9% decline) suggesting that this could be a long-term trend.

Apartment Vacancies Down/Rents Up:

The apartment vacancy rate dropped from 7.2% to 5.5% and average rents climbed 3.5% to $612 per month. Kitsap County clearly has benefited from the high rents in much of King and Snohomish County and from little new apartment construction in Kitsap over recent years.

Single Family Housing Market Shows Continued Growth:

Kitsap County's single family housing market has also shown continued strength. "Days on market" averaged 91 in the first half of 1999 compared to 135 as recently as 1997. Median home prices in the first six months of 1999 were $216,000, up almost 9% from the 1998 average. Also, 784 (11 months annualized) single housing building permits were issued in 1999, up 18% from 1998—albeit 40% below the average annual permit rate in 1991-1995.

Impact of Initiative 695 on Kitsap County Economy:

No mention of the County's economic picture in late 1999 can ignore the voter approval of Initiative 695 in November. Because of the measure's disproportionate effect on transportation — and particularly the State ferry system — the ultimate impact on the Kitsap County could be significant. Efforts are already underway in the 2000 legislative session and elsewhere to soften the blow. Furthermore, judicial review of I-695 is expected by yearend. Future editions of TRENDS will help quantify the impact of I-695 on the County.

EXECUTIVE SUMMARY

BY
NED PALMER
BANK OF AMERICA
206.358.8954
206.358.8818 FAX

OPPORTUNITIES STRONG IN KITSAP COUNTY

Economic Opportunities Strong In Kitsap Region:

Economic opportunities remain strong in the Kitsap Region. Available labor, business friendly governments, advances in development designations, and Puget Sound Regional economic pressures have set the stage for expanded economic activity in the West Sound.

Labor Market Strength:

The availability of labor remains the region's strongest economic asset. While unemployment figures paint a picture similar to the rest of Puget Sound, the numbers are deceiving because of a large commuter work force. The access to East Sound jobs requires a significant enough commute that workers are often willing to accept local jobs at lower wages. The strong work ethic of a labor pool associated with military employment continues to attract attention from national employers.

Spouses of military personnel, newly discharged personnel, and retiring personnel are the highly qualified, highly trainable workforce needed by modern businesses. With the addition of well qualified students from local high schools and Olympic College, the Kitsap Region is highly desirable at a time of labor shortages in virtually every other nearby job market.

Governmental Cooperation:

County and local governments are committed to job expansion both in word and deed. Almost without exception local officials understand the importance of diversification of the regional economy. The impact of defense downsizing is clear and the desirability of private industry widely acclaimed. Expanding and relocating employers have received firm commitments to shortened permitting timelines.

Agencies are working more closely in advance of submission of plans to reduce delays. Governments are increasingly finding creative ways to provide incentives and make the region more competitive with other locations. Business friendly government with a personal touch has real meaning in the Kitsap region.

Land for Development:

Additional land for development continues to come closer to reality. By Spring of 2000, three additional developments should be well along in the land designation process. South Kitsap Industrial Lands will provide an additional 1700 acres of flat, well buffered, and highly desirable industrial land. The Port Blakely West Kitsap Lake project continues on track with the potential for a large mixed-use development with a significant corporate campus.

Northwest Corporate Campus will be available for construction early in the year. The campus provides spectacular views on gently sloping land. Olympic Resource Management's West Hills site has progressed to creation of pads with roads, sewer and other infrastructure immediately accessible. The fully zoned area provides one of the most rapid opportunities to build. The projects will add significantly to the total inventory and provide several new options for location.

BY
WARREN OLSON
PRESIDENT
ECONOMIC DEVELOPMENT COUNCIL OF KITSAP COUNTY
360.377.9499

West Puget Sound has benefits over East Puget Sound:

Economic pressure throughout the eastern Puget Sound region continues to build. Land is becoming more scarce and more expensive. Qualified labor is becoming harder to attract and retain. The west Puget Sound / Kitsap region provides a welcome relief for businesses seeking to remain in the Northwest and gain the advantage of quality labor and available land.

Telecommunications:

Kitsap is a great place to do E-Commerce. Telecommunications provides one of the newest opportunities for business development. Basic infrastructure in the Kitsap region equals that available in the eastern Puget Sound region. SPRINT will be installing a point-of-pressure (POP) on the internet in Poulsbo making it competitive with major metropolitan areas. SPRINT has provided ISDN service at significantly reduced rates to businesses and residences in their greater Poulsbo region. Downtown Bremerton is heavily wired as a result of the Navy presence. Several Sonnet Rings already exist. AT&T@Home is entering the market with some of the most advanced cable infrastructure in the region.

Shortage of Large Existing Buildings:

The most serious regional shortage remains in the inventory of large existing buildings. Several large Call Centers companies have been pleased with the labor availability only to find limited choices for appropriate and available real estate to house their business.

Ferry Service and Transportation:

Uncertainty has been generated in ferry service and transportation by the suit on fast ferry service in Rich Passage and the November 2nd approval of Initiative 695. The effects of both are not likely to be sorted out before late Spring 2000. Both lend credence to the growing perception that Kitsap's future lies with telecommunication and software. The labor availability could also improve with ferry limitations and a more captive work force.

Kitsap is Undiscovered Gem for Business Success:

A national employer recently commented that their company had almost rejected the Puget Sound area to place their new Call Center because they were under the impression that the entire area had a labor shortage. They were persuaded to visit our Kitsap region and were both shocked and pleased to find such an available resource of qualified labor so close to the economic "heat" of King County. Kitsap remains an undiscovered "gem" for business success.

Economic Development Council of Kitsap County:

The EDC of Kitsap County is increasingly seeking to assist business with intervention in permitting processes for expansion and relocation. Businesses contemplating construction of new facilities are invited to contact the EDC to discuss how assistance may be provided. For additional information, call the EDC at (360)377-9499 or at 1-877-GO-KITSAP.

E-mail: edckc@kitsapedc.org
Web Site: www.kitsapedc.org

REAL ESTATE MARKET DIRECTLY IMPACTS KITSAP'S BUSINESS CLIMATE

Real Estate Industry Generates Money:

The amount of money generated into the business community from construction payrolls and real estate sales is enormous. It comes not only in the form of salaries paid to tradesmen and commissions earned by agents (which are then spent in the local economy for everything from groceries to new cars), but it also comes from the money generated by support services for the real estate industry - title reports, escrow fees, inspection reports, loan fees, signs, print advertising, etc.

The majority of this revenue is spent with local businesses, so it is recirculated again within Kitsap County. There are no exact statistics available on how much this actually amounts to, but it has historically been a significant sector of our local economy ever since the "Trident Boom", which began in the early 1970's.

Affordable Housing Impacts Business Climate:

How does one measure the impact on the business community of affordable housing? Kitsap County has arguably the most reasonably priced housing in the Puget Sound region. That fact, combined with the quality of life and the influx of people attracted to homes they can afford, make this a good place to succeed in business as well.

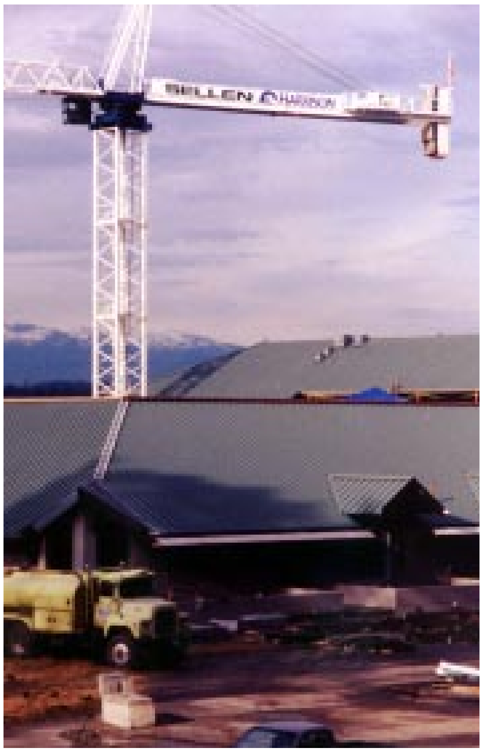
E-mail: biznews@wetapple.com
Web Sites: www.KitsapBusinessJournal.com
www.wetapple.com

BY
LARY COPPOLA
EDITOR AND PUBLISHER
THE KITSAP BUSINESS JOURNAL
WET APPLE PUBLISHING
360.876.7900
360.895.2495 FAX

HARRISON HOSPITAL ONCOLOGY SERVICE EXPANSION:

Ground broke in October 1999 for Harrison Hospital's Radiation Oncology Center, a 14,000-square-foot facility featuring one state-of-the-art linear accelerator and space for a second. The Center makes possible a range of advanced cancer care in the areas of medical and radiation oncology, it will begin treating patients in the summer of 2000.

The Radiation Oncology Center at Harrison Hospital is a valuable step in development of a Regional Cancer Center in Kitsap County. Constructed at the second-floor level of the hospital, the Center will replace the existing service on Sheridan Avenue, making treatment more accessible and convenient for our patients. A new parking structure built adjacent to the Center will increase parking by 60 spaces.



Harrison Hospital's Silverdale Campus scheduled completion is summer 2000. The new hospital, located off Myhre Road, will specialize in mother-baby, pediatric, rehabilitation and surgery services. Also planned for the 125,000-acre site is a healthcare office building offering a wide range of doctors' offices.

Harrison Hospital's Silverdale Healthcare Campus:

Harrison's commitment to provide healthcare to our neighbors in all corners of the county continues with the new Silverdale Healthcare Campus. The centerpiece of this new 125,000-square-foot creation is a Surgery Center and a Women's and Children's Center. Located south of Waaga Way at the intersection of Myhre Road and Ridgetop Boulevards, the 32-acre campus will also host 24-hour emergency services, coordinated with those at the main hospital.

A variety of outpatient services — including a women's breast center; adult and pediatric rehabilitation services — and leasable office space will be located in a separate but connecting healthcare office building. The two structures make up the first of several phases to be developed on the Campus to meet the healthcare needs of a growing Kitsap County and beyond. The project is scheduled to open June 2000.

Harrison Hospital Overview:

Harrison Hospital is a 297-bed, not-for-profit, community hospital, which offers a wide array of services, including in-patient, out-patient, emergency, maternity and home health. Harrison is fully accredited by the Joint Commission on the Accreditation of Healthcare Organizations, with the outstanding score of 99 out of 100 on their 1998 survey. Harrison consistently offers its quality services at some of the lowest costs of any hospital in Washington State, which has among the lowest hospital costs of any state in the Unite States. Harrison also provides Urgent Care and other out-patient services at its South Kitsap Healthcare Campus in Port Orchard.

BY
DAVID OLSON
DIRECTOR OF PLANNING
360.377.3911

PATTI HART
PUBLICATIONS
COORDINATOR
HARRISON HOSPITAL
360.792.6769

Doctors Clinic, Group Health Co-op and KPS:

The Doctors Clinic is a multi-specialty group practice with about fifty of the greater than three hundred civilian physicians who service in Kitsap County. Group Health Cooperative is the largest Health Maintenance Organization (HMO) that services the area, with nearly twenty-five physicians in Kitsap County. Kitsap Physicians Service (KPS) is the locally-based, health insurance provider for many of the residents of Kitsap and adjacent counties.

Naval Hospital Bremerton:

In addition to the civilian medical care system, Naval Hospital Bremerton, with its 139-acute-care-beds and extensive system of health services, provides care to approximately 50,000 military, dependents, and retirees who live in Kitsap County. The hospital moved to its present site in 1980. The hospital provides the following in-patient specialties: Medical / Surgical, Pediatrics, labor / Delivery, Mother / Baby, Level II Nursery, Mental Health, ICU / CCU, as well as an Ambulatory Procedure Unit (APU). Over 90% of their surgical procedures are performed in the APU.

Core out-patient services include:

Family Practice, Pediatrics, Internal Medicine, Women's Wellness, OB / GYN, Physical Therapy, Orthopedics and Emergency Room. Medical Clinics are operated at various military bases in Kitsap County and nearby regions. A significant $24 million expansion to the core hospital is scheduled for completion in May 2003. The expansion includes a 60,000-square-foot ambulatory care addition, a 2-level, 250-car parking garage, and major remodeling to the existing facilities.

A Healthy Community:

Many indices reflecting the fact that Kitsap County residents experience a relatively high level of individual health can be found in Health Status of Kitsap County, 1998 Supplement. This report was prepared by Bremerton-Kitsap County Health District, Harrison Memorial Hospital, Kitsap Physicians Service, and Group Health Cooperative of Puget Sound.

Life Expectancy at Birth:

Life expectancy at birth is generally regarded as a key indicator of overall community health status. As shown below, Kitsap County residents' life expectancy is significantly higher than that of other residents of Washington or the United States. It compares favorably with Japan, which has the highest life expectancies of any county in the world.

	Kitsap	Washington	United States	Japan
Males	76.2 yrs	74.0 yrs	72.2 yrs	76.4 yrs
Females	81.1 yrs	80.0 yrs	78.8 yrs	82.8 yrs

A Healthy Future:

Kitsap County has a relatively young and healthy population. The region has an environment that beckons with a myriad of recreational activities. The community has a track record of creative, collaborative, and successful efforts to improve residents' quality of life and provide quality, cost-effective healthcare. Vision and leadership continue to develop services and facilities to meet future health needs based on today's solid foundation.

Web Site: www.harrisonhospital.org

COMPREHENSIVE LAND USE PLAN

Having a Valid Comprehensive Land Use Plan returns a level of stability and predictability to land use planning and development throughout Kitsap County. On February 8, 1999, the Central Puget Sound Growth Management Hearings Board (CPSGMHB) issued an order rescinding its September 8, 1997 decision declaring the Kitsap County Comprehensive Plan invalid. The County had been operating under an Interim Zoning Ordinance since the original invalidation order on October 6, 1995. The Hearings Board order remanded a number of issues and directed the County to take action by no later than August 6, 1999. The County has moved in the direction for completing the changes required by the Hearings Board.

Two Remand Issues:

The Kitsap County Board of Commissioners (BCC) decided to divide the remand issues into two separate packages for review. The first remand package included revisions to the Zoning Ordinance, joint planning policy language and corrections to the Transportation and Economic Development Appendix and the appropriate designation of the "Screen Property". The BCC addressed these items on May 10, 1999. The second package of remand items included the appropriate designation for the Port Gamble area and updates to the six-year financing plan in the Capital Facilities element of the plan (1998-2004) that the BCC addressed on July 21, 1999.

JOINT PLANNING AREAS (JPA)

Subarea Plans & Interlocal Agreements:

The Comprehensive Plan outlined a process for addressing the issues of Urban Joint Planning Areas through the development of Subarea Plans and Interlocal Agreements. These areas are contiguous to cities and are subject to coordinated city / county planning in an effort to resolve outstanding land use and capital facility issues.

Seven JPAs in Process:

There are currently seven JPAs in process with Subarea Plans being prepared — the City of Poulsbo Urban Growth Area, the Port Blakely Property in Central Kitsap and the South Kitsap Industrial Area including the Bremerton National Airport and Olympic View Industrial Park.

AREAS OF MORE INTENSIVE RURAL DEVELOPMENT (AMIRD)

Kitsap County Defining Their AMIRDs:

The Comprehensive Plan recognizes recent amendments to the Growth Management Act (GMA) which allows counties to define limited Areas of More Intensive Rural Development (AMIRD) subject to a number of guidelines and criteria (RCW 36.70A.070(5)(d). These areas allow for the recognition and designation of existing areas with established development patterns.

Two Demonstration Projects:

Two demonstration projects were recommended — Suquamish and Manchester — to help develop and test criteria for defining a process that will be used to consider future designations. The "Suquamish Rural Village Subarea Plan" was developed and successfully adopted by the Board of County Commissioners on April 19, 1999. This process established additional guidelines for defining a "Rural Village" concept and is currently being used in the Manchester community planning efforts.

BY
JASON RICE
KITSAP COUNTY
DEPARTMENT OF
COMMUNITY
DEVELOPMENT
360.377.4463
360.337.4925 FAX

Kitsap Regional Coordinating Council (KRCC)

Population & Employment Projections Determines Land Needed:

The KRCC has recently developed a recommendation for new population and employment projections for Kitsap County through the year 2017. These projections are used to determine the amount of land needed for residential, commercial and industrial development and to determine the size of the Urban Growth Areas throughout the County. The recommendation that came from the Planning Directors work group stated that "All requests for 2017 population allocation, including Urban Growth Area boundary changes, will be submitted for review at or before the December 2000 meeting of the Kitsap Regional Coordinating Council Policy Board".

Web Site: www.wa.gov/kitsap

CONFERENCE CENTER AND INN:

McCormick Land Company has secured land use approvals to build a Conference Center and Inn at McCormick Woods, a planned community just west of Port Orchard. Like McCormick Woods Golf Course and MaryMac's Restaurant and Clubhouse, the Conference Center, including a new restaurant, will be open to the public. Construction is scheduled to begin sometime in 2000.

State-of-the-Art Facility:

Just an hour from downtown Seattle and SeaTac Airport, the Conference Center and Inn will be the premier meeting destination in the Puget Sound Region. Designed by Bumgardner Architects to fit into the existing Clubhouse, Golf Shop and Cart Barn campus, the Conference Center and Inn will have 200 guest rooms and 20,000 square feet of meeting space.

While sited in the trees at McCormick Woods, with the look and feel of a sophisticated yet comfortable "Pacific Rim Great Camp", the Conference Center will offer state-of-the-art technology and meeting facilities. The management staff of Marriott Conference Centers, a small division of Marriott International, will manage the Conference Center. They currently manage the McCormick Woods Golf Course, Clubhouse and MaryMac's Restaurant. McCormick Land Company feels this will assure that guests will enjoy superior service and a seamless experience from beginning to end.

Expansion of Tourism:

The Conference Center is intended to expand tourism in Kitsap County. Golfers will be within fifteen minutes of four great golf courses — McCormick Woods, the new Trophy Lake Golf Course, the Olympic Golf Course and the Gold Mountain Golf Course. Already, the four courses promote the "Triple Eagle on the Kitsap Peninsula", a cooperative marketing campaign to bring golfers to the Peninsula. In addition to playing golf, conferees and other guests will be able to enjoy the great outdoors of Kitsap county. From walks in the proposed 700-acre McCormick State Preserve adjacent to McCormick Woods, to the waterfront in Port Orchard and Bremerton to the attractions around the entire Olympic Peninsula.

E-mail: lniebanck@mccormickwoods.com
Web Site: www.mccormickwoods

MCCORMICK WOODS

BY
LINDA NIEBANCK
PRESIDENT
MCCORMICK LAND
COMPANY
360.876.3395
360.876.3511 FAX

GROUND BREAKING IN SPRING OR SUMMER 2000:

The 188-acre business park known as the Northwest Corporate Campus hopes to break ground in the Spring or Summer of 2000. People walking to work, with office windows looking out on views of water and mountains are part of the visions of this planned development, which will be on a hill above Sinclair Inlet in South Kitsap, between Highway 16 and Old Clifton Road.

Local Jobs for Local People:

Northwest Corporate Campus hopes to attract businesses that will hire local people who otherwise work in Seattle and Tacoma. High-tech companies, corporate headquarters and call centers are among the types of businesses that are planned to be attracted to the business park.

Live Where you Work:

The project will enable people to live where they work. It will give people a better quality of life. It hopes to bring the jobs to where people are living and to stop long commuting to and from work. Fifty-six (56) acres of the property are designated for residential development. Future employees at the site may travel to work on paths that link the business park to the Northwest residential area and to McCormick Woods, an upscale living and golf community nearby.

Five-Year Process Made for an Environmentally Sensitive Project:

Bremerton city officials had to rezone the property; engineers had to study the site; and the public was given a chance to speak about the project at various hearings. This process took a total of five years. The results are a project which is sensitive to wildlife and the environment. Of the site's 377 total acres, half will remain open space.

Possible 40,000-square-foot Structure:

A 40,000-square-foot building is being considered which would house office and light-industrial businesses. Prospective tenants may buy and develop property at the park to suit their needs.

BY
RON SCIEPKO AND
ELLEN LUND,
NORTHWEST CORPORATE
CAMPUS
360.792.2686
360.373.1422 FAX

Port Blakely Joint Planning Area

Port Blakely Communities is a planned real estate development which hopes to break ground in Spring of 2001. This real estate development is a division of Port Blakely Tree Farms, which is a family owned company that has operated tree farms in Kitsap County and throughout Washington state since the turn of the century.

Business and Light Industrial Land Use:

The 1998 Kitsap County Comprehensive Plan designated 440 acres of property owned by Port Blakely, located west of Kitsap Lake, as an Urban Joint Planning Area for Business and Light Industrial Land uses. The designation was made to achieve the County's goal of having land zoned and available for business to locate on and to help create jobs. A Subarea Plan is being prepared by Bremerton and Kitsap County that will identify the zoning for the property and specify the environmental protections that must be included for the project to be built.

Projected Land Use Mix:

The land use being considered for the site, is a mixed use project that would include approximately 900 homes and 2,225,000 square feet of business uses such as offices, light assembly and manufacturing facilities and business park. In addition, retail and commercial services will be included in the project to serve the needs of the community. The project will also include public trails, a public park and a buffer adjacent to neighboring properties.

Environmental Protection:

The project will only proceed if it is demonstrated that there will not be adverse impacts to the productive salmon resources of Chico Creek or to the water quality of Kitsap Lake. A master drainage plan will be prepared at the time there is a specific project that will include the best management procedures for protecting water quality and controlling water runoff.

Annexation to the City of Bremerton:

The Subarea Plan will be reviewed by the City of Bremerton and Kitsap County this Fall. If approved, the property could be annexed to the City of Bremerton in early 2000. Port Blakely could submit an application to the City for a specific project in the Summer of 2000. Public input and environmental review is scheduled to take place in 2000 and 2001 with construction possibly beginning in the Spring of 2001.

Access and Services:

Access to the site will be from SR 3 to two new access roads to the project. The first new road will be at the north end from Northlake Way. The second new road will be located at the south end and will extend Werner Road to the site. The project will be served with water and sewer by the City of Bremerton.

Other Projects:

Issaquah Highlands is another planned community that the Port Blakely company is currently developing. This project includes 3,000 homes, parks, trails, recreation, regional retail center and a business center. Port Blakely also developed Montrues, a residential community of 300 homes in the City of Issaquah and has recently started construction of McGarvey Park, a residential community of 500 homes in the Renton area.

Port Blakely is dedicated to developing environmentally sensitive communities and growing sustainable forest to benefit current and future generations.

E-mail: jadams@portblakely.com
Web Site: www.issaquahhighlands.com

BY
John L. Adams
Port Blakely
(425) 391-4700

MISSION:

The three-member Board of Commissioners works towards the advancement of economic development, transportation and water recreation. The Port of Bremerton's jurisdiction covers portions of the west and south half of Kitsap County, WA. A central purpose of the Port is to manage and develop its properties to induce new capital investment and to encourage economic development and create employment.

Port of Bremerton Properties:

The Port of Bremerton owns and operates Olympic View Industrial Park, Bremerton National Airport, the Port Orchard Marina and the Bremerton Marina.

The Olympic View Industrial Park located west of Bremerton National Airport on State Highway 3 will see a number of projects undertaken in 2000 to advance its role in the economic fabric of West Sound. This work will continue the 1999 pace, a pace of development in the park not seen in its 25-year history. The Port and private business interests have no less than six construction projects slated to start design or construction in 2000.

Adding basic infrastructure is the primary focus of the Port's work. One area of concentration will be the remediation of the former landfill and mobile home park site. This site remediation will provide over 20 acres of development sites on two terraces facing the Olympic Mountain range.

Northeast Campus is the first new business campus to evolve out of the basic fabric of the original 1970's road and utility system in the industrial park. Phase I development will include eight building sites, a road extension and utilities. Future build-out of the 29-acre campus will create over 20 building sites.

Olympic View Industrial Park offers 560 acres of industrial property, some with rail frontage. Over 35 businesses occupying 80 acres and 310,000 square feet of building space now call Olympic View Industrial Park home. The existing infrastructure will accommodate only 30 more acres. Additional roads and utility systems will require significant funding in coming years to make the remaining acreage fully available. The industrial park carries an industrial comprehensive plan and zoning designation. The Park will act as a catalyst to the diversification of the economy by attracting new industries to Kitsap County.

Competitive operating costs combined with a supportive building permit process, assistance with industrial development revenue bonds, developer services and aggressive lease practices are some of the economic development tools and benefits offered by the Port. Designated properties in the industrial park, as well as the adjacent Bremerton National Airport, offer the benefits of a Foreign Trade Zone. These properties are one hour from the deep-water ports of Seattle, Tacoma and Olympia and just ten minutes by air to SeaTac International Airport.

Bremerton National Airport, serving corporate and general aviation, is ideal for corporate jet hangars and aviation business and maintenance operations. Adjacent to Olympic View Industrial Park, Bremerton National's 6,200-ft runway is equipped with an instrument landing system, pilot controlled approach lighting and a non-directional beacon, and is capable of accommodating most Boeing 727, 737 and 757 aircraft.

BY
RICHARD BRANDENBERG
EXECUTIVE DIRECTOR
PORT OF BREMERTON
360.674.2381, EXT 14
360.674.2807 FAX

Bremerton National Airport is home to 125 aircraft, and is a major asset for the future economic development of the Puget Sound region. Its 1,200 acres allow for growth of aircraft maintenance facilities and related businesses. Amenities available include hangar space, Avgas (truck and 24-hour self-service), Jet A fuel, a full service restaurant, aircraft maintenance, air charter, pilot training, air parcel service and other fixed base aviation support services. This property is zoned industrial and permitting is as efficient as at Olympic View Industrial Park.

Foreign Trade Zone Designation:

Over 500 acres of land at the Port's industrial park and airport are designated by the US Department of Commerce as a Foreign Trade Zone (FTZ). Users can benefit from delayed and reduced duty payments and in some cases, no payments on a wide variety of import and export activity. Warehousing, manufacturing, repackaging and assembly activities can all benefit financially from use of the FTZ.

The Port Orchard and Bremerton Marinas are award-winning recreational facilities that provide both permanent and guest moorage. The Port Orchard Marina, reconstructed in 1997-98 after the devastating 1996 winter storms, presents state-of-the-art accommodations and upgraded utilities to the permanent and guest boaters.

The Port Orchard and Bremerton Marinas draw high numbers of guest boaters every year and contribute approximately $1.5 million to the local economies. The cities of Port Orchard and Bremerton offer community events on the waterfront such as concerts and Farmer's Markets. This provides many shopping and entertainment opportunities within walking distance.

The Port of Bremerton has a strong relationship with its neighbors and local government. The Port plans projects and infrastructure that encourage today's businesses to flourish and future businesses to become established in Kitsap County. The promotion of tourism receives great attention in the Port's economic development activities.

E-mail: guest@portofbremerton.org
Web Site: www.portofbremerton.org

KITSAP COUNTY POPULATION GAINED 700 IN 1999:

The slight .31% population gain in Kitsap County was largely due to increases in Port Orchard and Bainbridge Island. Both cities experienced population increases of approximately 4% in the last year (April 1, 1998 to April 1, 1999).

Statistics gathered from the Washington State Office of Financial Management off their web site: www.ofm.wa.gov/, are summarized in the following charts and graphs.

KITSAP COUNTY POPULATION

	1980	1990	1993	1994	1995	1996	1997	1998	1999
Kitsap County	147,152	189,731	210,000	213,200	220,600	224,700	229,400	229,000	229,700
Annual Growth Rate	-	*2.89%*	*2.14%*	*1.52%*	*3.47%*	*1.86%*	*2.09%*	*-0.17%*	*.31%*
Bremerton	36,208	38,142	36,380	35,920	39,610	38,370	38,600	37,260	36,260
Annual Growth Rate	-	*0.53%*	*-6.69%*	*-1.26%*	*10.27%*	*-3.13%*	*0.60%*	*-3.47%*	*-2.68%*
Port Orchard	4,787	4,984	5,610	5,700	6,240	6,610	6,965	6,945	7,255
Annual Growth Rate	-	*0.41%*	*6.35%*	*1.60%*	*9.47%*	*5.93%*	*5.37%*	*-0.29%*	*4.46%*
Poulsbo	3,453	4,848	5,350	5,415	5,765	6,070	6,175	6,590	6,445
Annual Growth Rate	-	*4.04%*	*1.33%*	*1.21%*	*6.46%*	*5.29%*	*1.73%*	*6.72%*	*-2.20%*
Bainbridge Island*	2,196	3,081	17,200	17,510	17,910	18,530	18,920	19,080	19,840
Annual Growth Rate	-	*4.03%*	*2.08%*	*1.80%*	*2.28%*	*3.46%*	*2.10%*	*0.85%*	*3.98%*

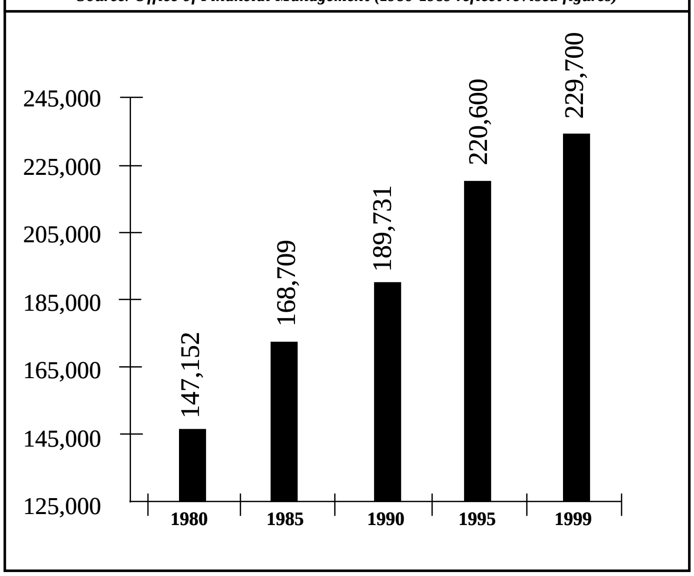
**Incorporation of entire Island of Bainbridge Island (1991)*

Over the last 19 years, the Kitsap County population has grown by 82,548 people. This is an increase of 56.09% or an average rate of 2.95% per year.

Kitsap County ranks 15th out of 39 counties in the State as the fastest (percentage) growing from 1990-1999.

KITSAP COUNTY HISTORICAL POPULATION

Source: Office of Financial Management (1986-1989 reflect revised figures)



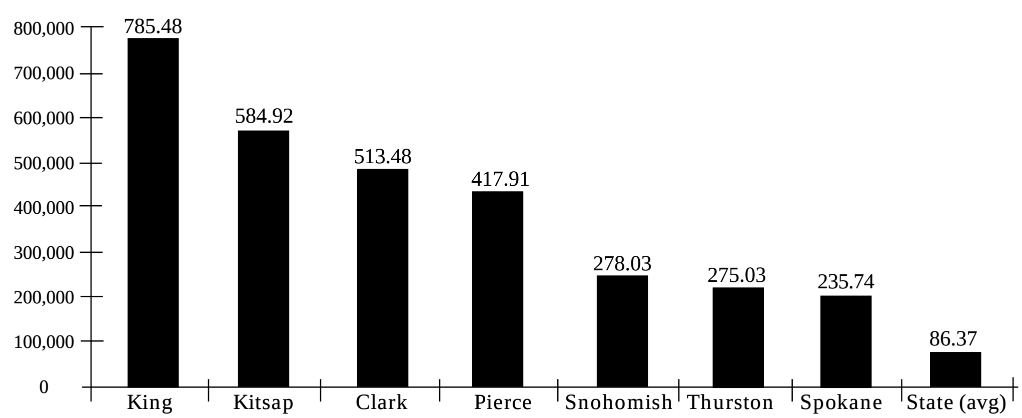
BY
WASHINGTON STATE
OFFICE OF FINANCIAL
MANAGEMENT
www.ofm.wa.gov

Kitsap Population Aged 65 and Over has remained relatively constant as far as a percentage of the total population. In 1990, 10.64% of the population in Kitsap County was aged 65 or over. This percentage represented 10.48% of the total Kitsap population in 1995 and 10.28% in 1998.

Population Density

Kitsap County Population Density is 2nd Highest out of 39 Counties in the State: Although the general appearance of Kitsap County seems "rural" due to the vistas of water, mountains and trees, it is, in fact, the second most dense county in the state of Washington, second only to King County.

Seven Most Densely Populated Washington State Counties (1999)



COUNTY	PEOPLE (SQUARE MILES)	LAND AREA (SQUARE MILES)	1999 POPULATION
King	785.48	2,135.001	1,677,000
Kitsap	**584.92**	**392.70**	**229,700**
Clark	513.48	656.30	337,000
Pierce	417.91	1,675.00	700,000
Snohomish	278.03	2,098.00	583,300
Thurston	275.03	737.00	202,700
Spokane	235.74	1,758.30	414,500
State (avg)	*86.37*	*66,662.10*	*5,757,400*

Non-Agricultural Employment Increased by 200 from December 1997 to December 1998, an increase of 0.28%. Employment categories that experienced increases were: Manufacturing, Construction, Transportation / Public Utilities, Finance / Insurance / Real Estate and Services. Employment categories that experienced decreases were: Mining / Misc., Wholesale / Retail Trade and Government.

BREMERTON-KITSAP COUNTY
PRIMARY METROPOLITAN SERVICE AREA (PMSA)
NON-AGRICULTURAL EMPLOYMENT LEVELS

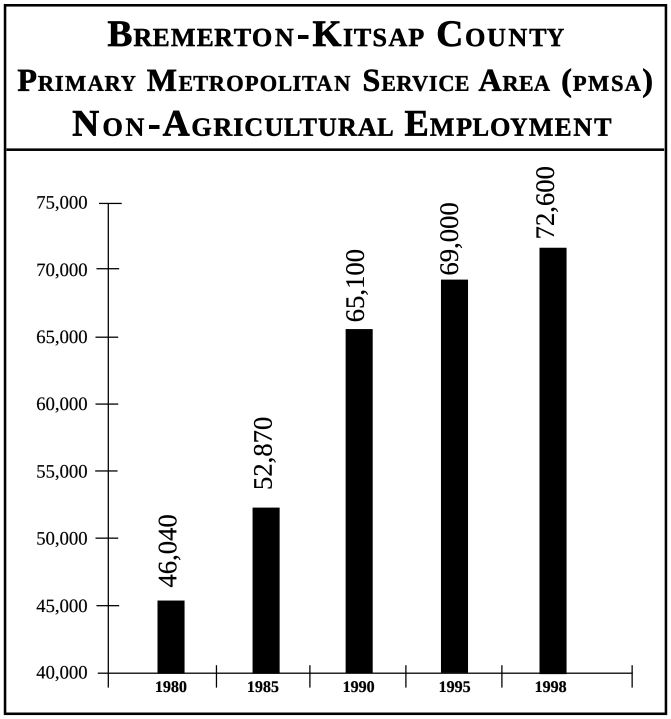
Industry	Dec 1997	Dec 1998	% Change	Industry Share
Manufacturing	2,100	2,200	4.76%	3.03%
Mining & Misc.	1,000	900	-10.00%	1.24%
Construction	3,200	3,400	6.25%	4.68%
T.C.P.U.*	1,700	1,800	5.88%	2.48%
Trade	17,300	17,200	-.58%	23.69%
F.I.R.E.**	2,700	2,800	3.70%	3.86%
Services	18,100	18,500	2.21%	25.48%
Government	26,300	25,800	-1.90%	35.54%
TOTAL	**72,400**	**72,600**	**.28%**	**100.00%**

***Transport/Comm/Public Utilities**
****Finance/Insurance/Real Estate**
Source: Wash. State Emp. Security Labor Market & Economic Analysis Branch
www.wa.gov/esd/lmea

EMPLOYMENT

Slow but Steady Employment Growth:

The graph below illustrates annual Kitsap County non-agricultural employment levels from 1980 to 1998. Annual growth in non-agricultural employment has been gradual but steadily uphill.



Department of Defense Civilian Employment:

The effect of military downsizing has had a big impact on civilian employment over the years. From it's most recent peak of over 22,500 jobs in 1993 and 1994, Kitsap County has lost some 8,144 jobs and in the past year employment has declined by 1,647.

DEPARTMENT OF DEFENSE CIVILIAN EMPLOYMENT TRENDS

	1988	1992	1993	1995	1996	1997	1998	1999
Puget Sound Naval Shipyard	11,700	12,245	12,540	10,233	9,620	9,239	8,494	8,194
Naval Submarine Base Bangor	2,630	4,807	4,776	4,764	3,785	5,000	5,000	3,800
Naval Undersea Warfare Center	3,247	4,362	4,254	3,679	2,873	1,950	1,450	1,390
Bremerton Naval Hospital	-	434	459	299	509	452	347	360
Fleet Industrial Supply Center	650	700	484	484	602	657	760	660
Total	18,227	22,548	22,513	19,459	17,389	17,298	16,051	14,404

Unemployment Rate in Kitsap County at 4.3% (November 1999)

Washington's unemployment rate was 4.0% as of November 1999, underscoring very tight labor markets in many parts of the state. Unemployment in Kitsap County was 4.3%.

In Kitsap, 4,000 residents out of a total labor force of 92,200 were unemployed. Seasonal cutbacks take place in many resource-based industries, construction and tourism, as fall weather set in. However, this year the seasonal pull-back was less than normal. Total non-farm wage and salary employment increased by 10,800 workers, far ahead of the 7,700 increase in November 1998.

Wholesale and retail trade were particularly strong, with pre-Christmas hiring of 8,700 people, according to the Washington State Employment Security Department. Seasonal hiring in public and private education added 6,700 workers, and gains also were posted in business services and health care. Construction employment dropped 4,700, manufacturing payrolls fell 3,300 and jobs in aircraft and parts dropped 800. Lodging, amusement and eating places also posted losses. The Seattle-Bellevue-Everett area had an unemployment rate of only 2.9 percent for November 1999.

TOP EMPLOYERS in KITSAP COUNTY

As of April 1999

Major Manufacturing Firms	FTE
The Sun	190
Net Systems, Inc.	160
Sound Publishing	137
Sage Manufacturing	120
Seattle Orthopedic Group	120
Boxlight Corporation	103
Watson Furniture Systems	65

Major Retail & Service Employers	FTE
Safeway	608
Harrison Hospital	601
Laurier Enterprises (McDonald's)	430
Martha & Mary Nursing Home & Child Ctr	350
The Doctors Clinic	300
Town & Country Markets	252
Belmont Terrace & Ridgemont Terrace	245
Price Costco Wholesale	243
KPS Health Plans	211
Kitsap Mental Health Services	206
Group Health Cooperative	200
Sears Roebuck & Company	185
Kitsap Bank	182
Kitsap Federal Credit Union	156
JC Penney Company	150
Eagle Hardware	145
Westbay Auto Parts	133
All Star Lanes / Casino	129
Bremerton Convalescent & Rehab Center	126
Albertsons	125
Port Orchard Care Center	110
North Sound Bank	99
Oyster Bay Healthcare Center	90
Frances Haddon Morgan Center **	150

Major Private Sector Employers	FTE
Port Madison Enterprises (Suquamish Tribe)	300
EDS Corporation	200
Kitsap Transit	243
Olympic Resource Management	240
Port Gamble S'klallam Tribe	173
USA Waste Management	114
Educational Services District #114	111
Kitsap Community Services	97

Civilian Employers - Defense Contractors	FTE
Johnson Controls World Services (estimate)	800
Lockheed Martin	200
GEC Marconi (formerly Tracor)	370
Ratheon Systems	100
Northrup Grumman	70

Civilian Employment - Government Employers	FTE
Puget Sound Naval Shipyard	8,194
Naval Submarine Base Bangor	3,800
Naval Undersea Warfare Center	1,390
Fleet Industrial Supply Center	660
Naval Hospital	360

Active Duty - Government Employers	FTE
Puget Sound Naval Shipyard	9,345
Naval Submarine Base Bangor	6,378
Naval Hospital	697
Naval Undersea Warfare Center	30
Fleet Industrial Supply Center	20

Local & State Public Agency Employers	FTE
Central Kitsap School District	1,637
South Kitsap School District	1,100
Kitsap County	1,050
North Kitsap School District	873
Bremerton School District	750
Olympic College ** (Full time only = 250)	610
Washington State Ferries **	350
City of Bremerton	336
Retsil Veterans Home **	280
Bainbridge Island School District	243
City of Bainbridge	114
Department of Social & Health Services **	110
City of Poulsbo	99
Washington State Patrol **	80
Washington State Department of Transportation **	60
Washington State Dept of Employment Security **	50
City of Port Orchard	50
Kitsap County Consolidated Housing Authority	49
Washington State Department of Ecology **	30
Washington State Department of Labor & Industries **	30

*** Source: Washington State Employment Security, LMEA - 1st quarter '98 figures:*
NOTE: This figure is based on a total of full-time and part-time employees.

KITSAP COUNTY BUILDING PERMIT LEVELS FOR 1999 IS THE HIGHEST OVER THE PAST THREE YEARS.

Mid-year TRENDS report data involves building permits relative to unincorporated areas of the county only, and the chart below summarizes year-end totals from 1989 through 1998, in addition to the first eleven months of 1999.

Residential Building Permits (Unincorporated Kitsap County)

	1989	1991	1993	1995	1996	1997	1998	1999*
Permits	1,212	1,615	1,366	1,136	1,048	702	665	719
Valuation (in millions)	$65.1	$84.8	$91.4	$82.5	$91.4	$62.3	$62.7	$69.9

* through November 1999

Permit levels for 1999 will be the highest over the past three years, but remain substantially lower than historic levels achieved at the beginning of this decade. As a result of Growth Management, new construction will now tend to be concentrated within Urban Growth Boundaries, and year end building permit totals including incorporated cities will provide a better picture of the health of new construction. These figures will be included with the following issue of the TRENDS report.

DURING THE FIRST HALF OF 1999, AVERAGE HOME PRICES IN KITSAP COUNTY CLIMBED 3.2% AND DAYS ON MARKET (DOM) DECLINED.

The Computer Multiple Listing Service (CMLS), through July 1997, and the Northwest Multiple Listing Service (NWMLS), after July 1997, publish statistics on average home prices. This data source is not all-inclusive, since it only covers properties that were marketed by member real estate firms, but this data is considered to be a reliable source of price trends. The following table details average home prices by area in addition to the average number of days on the market (DOM) it took to sell the homes. The bottom two rows display the average home sale price with and without Bainbridge Island, an area which heavily influenced by ferry access to King County and historically has the highest priced homes in the county.

MULTIPLE LISTING SERVICE AVERAGE PRICES (ALL HOMES BY AREA)

CMLS Area	*1995*		*1996*		*1997*		*1998*		*6 Mo. 1999*	
	Price	DOM	Price	DOM	Price	DOM	Price	DOM	Price	DOM
1 South Kitsap	$126,707	105	$130,849	156	$131,875	146	$147,924	94	$146,883	91
2 Silverdale	$139,532	134	$146,910	147	$155,853	138	$159,393	90	$158,474	95
3 W. Bremerton	$83,190	86	$89,005	132	$100,494	115	$97,066	83	$95,966	76
4 E. Bremerton	$99,385	83	$105,292	120	$108,274	119	$117,846	85	$116,859	80
5 Central Kitsap	$118,657	88	$119,234	135	$126,502	127	$132,374	93	$143,191	71
6 North Kitsap	$143,168	108	$156,313	146	$161,365	149	$171,771	94	$186,139	102
7 Bainbridge Is.	$295,680	121	$291,739	153	$300,480	142	$339,973	97	$366,429	94
County Averages	**$143,232**	**112**	**150,706**	**145**	**$161,212**	**139**	**$175,155**	**92**	**$180,799**	**91**
Less Bainbridge	**$127,087**		**$131,414**		**$138,171**		**$146,791**		**$151,959**	

BY
GARY LYMAN
RICHARDS & ASSOCIATES
360.479.2332
RAAppraise@aol.com

SINGLE FAMILY MARKET

APPRECIATION RATES LESS IN RECENT YEARS.

Appreciation rates were very high at the beginning of the decade, ranging from 11.8% to 16.0% for its first three years, but the average home price has increased at an annual compound rate of only 6.83% from 1993 through June 1999. The chart below summarizes appreciation rates by area within the county and clearly depicts the softening of the single family residential market within recent years.

MLS SINGLE-FAMILY APPRECIATION RATES (AVERAGE PRICES)

CMLS Area	*1989*	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*6 mo. 1999*
1 South Kitsap	14.1%	11.8%	15.3%	16.0%	3.3%	1.9%	2.3%	3.3%	0.8%	12.2%	-0.7%
2 Silverdale	14.3%	21.2%	12.9%	0.3%	1.0%	1.9%	-6.1%	5.3%	6.1%	2.3%	-0.6%
3 W. Bremerton	19.5%	19.8%	11.3%	11.1%	7.6%	3.5%	-6.9%	7.0%	12.9%	-3.4%	-1.1%
4 E. Bremerton	16.4%	9.4%	13.6%	13.2%	2.4%	2.1%	-2.2%	5.9%	2.8%	8.8%	-0.8%
5 Central Kitsap	1.7%	9.6%	16.7%	7.5%	0.5%	3.5%	-0.7%	0.5%	6.1%	4.6%	8.2%
6 North Kitsap	21.9%	16.9%	4.4%	8.9%	7.9%	2.3%	-0.2%	9.2%	3.2%	6.4%	8.4%
7 Bainbridge Is.	24.1%	28.4%	-2.5%	5.0%	4.4%	8.4%	8.5%	-1.3%	3.0%	13.1%	7.8%
County Totals	**18.4%**	**12.2%**	**8.7%**	**8.5%**	**3.8%**	**5.3%**	**-0.3%**	**5.2%**	**7.0%**	**8.6%**	**3.2%**
Less Bainbridge	**15.2%**	**14.6%**	**12.6%**	**9.8%**	**4.1%**	**2.6%**	**-1.4%**	**3.4%**	**5.1%**	**6.2%**	**3.5%**

BAINBRIDGE ISLAND/NORTH KITSAP EXPERIENCED HIGHEST APPRECIATION

The data indicates that over the past five years the Silverdale and Central Kitsap market areas have posted the lowest price gains, with the highest appreciation rates were experienced in the Bainbridge Island and North Kitsap areas.

TAKES FEWER DAYS TO SELL A HOME

A positive sign indicated by the data is the recent reduction in the average amount of time that it takes to sell a home, an indication that demand may be on the rise. County-wide, the number of Days On the Market (DOM) had steadily been increasing, and was up from 94 days in 1993 to 139 days for year-end 1997. The 1998 figures were dramatically lower, and for the first six months of 1999, averaged 91 days.

"NEW HOME" PRICES INCREASE

The Digest is a publication that formerly compiled data on "all" property sales that occurred within Kitsap County. Unfortunately, this company terminated their services in Kitsap County in early 1997, so figures are only available through the end of 1996. The Northwest Multiple Listing Service, on the other hand, does track "new home" sales that occur through their member brokers, but their data is available only as of January 1998. Further complicating the matter is the fact that sales areas from each of these data sources are not identical. Despite these limitations, the appraiser has attempted to match sales areas as closely as possible.

With the exception of the Central Kitsap market area, average "new home" prices are up slightly and for the first time have now topped the $200,000 level.

The combined data from The Digest and the NWMLS is summarized in the chart below.

AVERAGE "NEW HOME" PRICES BASED ON THE DIGEST AND MLS DATA

Digest Area	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1998*	*1999*
A North Kitsap	$105,275	$115,006	$132,431	$130,859	$139,085	$145,562	$163,076	$182,576	$195,359
B Bainbridge Is.	$203,019	$236,277	$238,043	$205,725	$249,673	$260,458	$304,735	$348,819	$367,668
C Central Kitsap	$130,255	$142,966	$149,163	$147,284	$149,333	$150,264	$148,161	$145,979	$144,076
D Bremerton	$103,835	$121,987	$127,751	$115,014	$123,596	$126,331	$123,303	$137,049	$140,074
E South Kitsap	$108,849	$126,531	$137,399	$144,870	$140,896	$145,001	$148,424	$160,975	$163,537
County Totals	**$127,511**	**$138,463**	**$143,776**	**$143,078**	**$148,880**	**$153,131**	**$162,651**	**$195,219**	**$216,398**

TOTAL SINGLE-FAMILY HOME SALES REMAIN STRONG

An indication of the level of sales actively within each area of the County is obtained from Multiple Listing Service data and is summarized in the chart below. The data reflects the number of closed sales in each area, in addition to the total number of condominium sales county wide. Please also note that figures for 1997 have been annualized based on data for only 10 months of the year and 1999 figures only represent six months of data.

NUMBER OF RESIDENTIAL SALES BY AREA - MULTIPLE LISTING SERVICE DATA

MLS Area	*1990*	*1991*	*1992*	*1993*	*1994*	*1995*	*1996*	*1997*	*1998*	*6 mo. 1999*
1 South Kitsap	814	692	764	827	845	739	700	671	819	402
2 Silverdale	508	412	551	541	580	512	396	382	477	214
3 W. Bremerton	272	233	256	232	237	216	243	240	304	130
4 E. Bremerton	176	133	144	142	155	136	143	131	182	96
5 Tracyton/Brownsville	399	327	381	361	290	334	267	288	301	158
6 North Kitsap	480	521	630	622	646	639	581	589	712	371
7 Bainbridge Island	302	259	279	270	322	279	320	359	481	213
Condominiums	99	74	79	85	99	94	88	68	130	92
County Totals Exc. Condo	**2,951**	**2,577**	**3,005**	**2,995**	**3,075**	**2,855**	**2,650**	**2,660**	**3,276**	**1,584**
County Totals Inc. Condo	**3,050**	**2,651**	**3,084**	**3,080**	**3,174**	**2,949**	**2,738**	**2,728**	**3,406**	**1,676**

SINGLE FAMILY MARKET

Total home sales in 1998 were higher than any other year in the decade of the 1990's, and data for the first six months of 1999 indicate similar levels when annualized on a straight line basis. A telling figure not shown on the chart, however, is the fact that of the 1,584 homes sales that have occurred through the Multiple Listing Service over the first six months of this year, only 213 involved "new homes". This lack of sales is clearly a factor in the reduced level of new construction that has occurred and is documented by building permit levels that remain at modern era lows.

SINGLE-FAMILY RESIDENTIAL INVENTORY DECLINES

The chart below summarizes the average number of active single-family residential listings by area of the county for the years 1994 through the first six months of 1999. Inventory levels continue to decline which appears to be a result of relatively stable sales activity, coupled with limited new construction. The fact that inventory levels are decreasing while sales activity remains stable, indicates that existing supply is slowly being absorbed and that demand for new construction is likely to occur in the coming year.

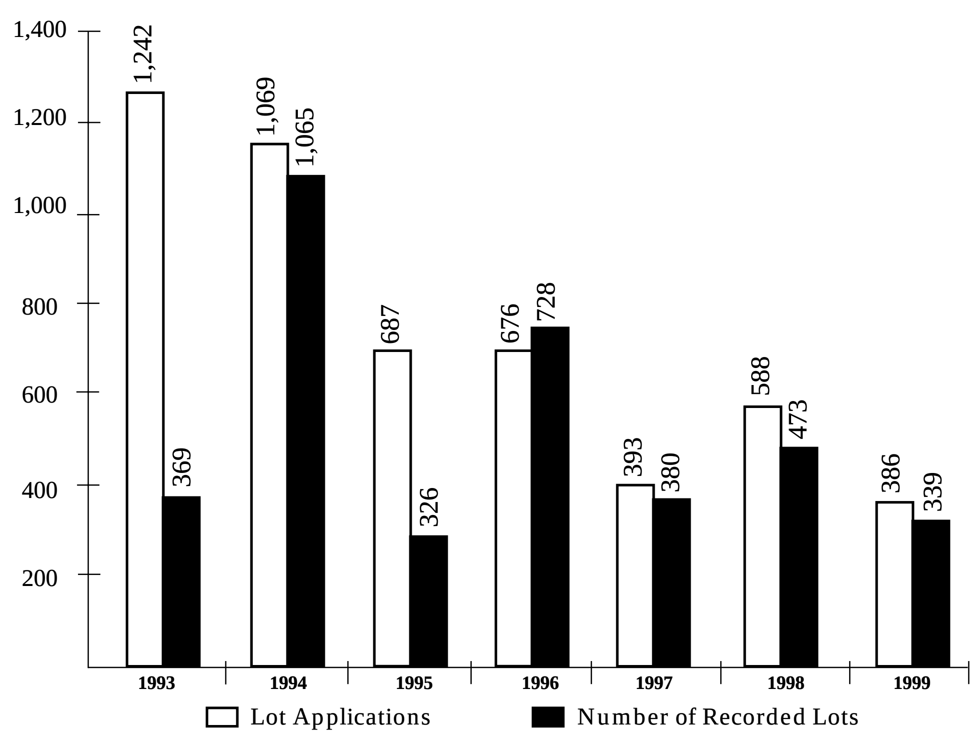
MLS SINGLE-FAMILY RESIDENTIAL LISTINGS (MONTHLY AVERAGE)

MLS Area	*1994*	*1995*	*1996*	*1997*	*1998*	*6 Mo. 1999*
1 South Kitsap	464	586	623	636	532	539
2 Silverdale	257	327	327	336	276	235
3 W. Bremerton	163	179	162	231	176	168
4 E. Bremerton	72	90	123	130	98	83
5 Central Kitsap	162	183	220	230	162	140
6 North Kitsap	379	425	492	547	419	335
7 Bainbridge Is.	182	269	213	278	227	193
County Totals	**1,679**	**2,059**	**2,160**	**2,388**	**1,890**	**1,693**

Single Family Lot Availability

Lot Applications and Recorded Lots Down from 1998: The most recent Single-Family Lot Creation Report shows that lot applications in 1999 were less than in 1998. However, the figures are not that much less than in 1997. The number of recorded lots is also down from the 1998 figures. See Chart below for a summary of Single-Family Lot Applications and numbers of Recorded lots for the last seven (7) years. Note: 1993 had the highest number of lot applications even in the three years prior, i.e. 1990, 1991 and 1992.

Kitsap County Lot Summary Report



Lots Applied for by Area in 1999:

- **Poulsbo -** 186 lots applied for (165 of these were for the downtown Poulsbo Project)
- **Kitsap County -** 85 lots applied for
- **Bainbridge Island -** 21 lots applied for
- **Port Orchard -** 8 lots applied for
- **Bremerton -** 8 lots applied for

Platted Property Breakdown (Recorded subdivision Activity)

- **South Kitsap -** 166 lots
- **North Kitsap -** 111 lots
- **Bainbridge Island -** 62 lots
- **Central Kitsap -**6 lots

by
Peter McConville
Pacific Northwest Title
360.692.4141
360.692.8001 fax

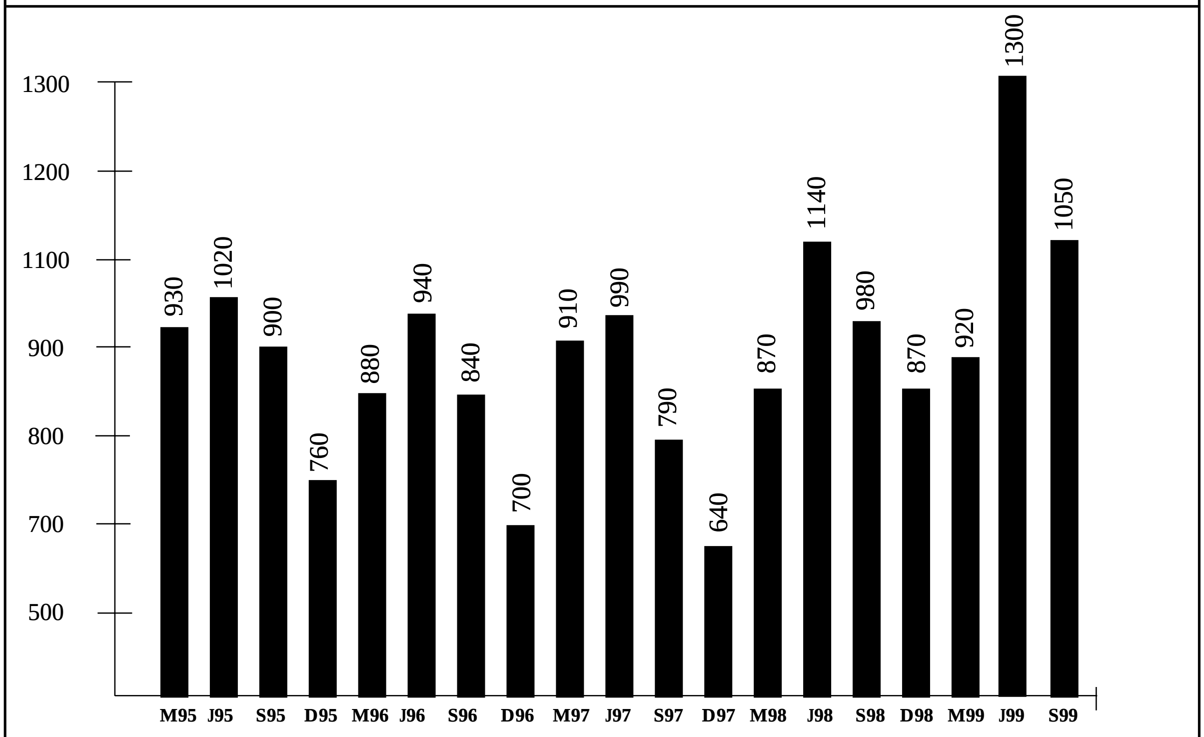
HOUSING MARKET AND HOUSING AFFORDABILITY DATA SOURCES

This analysis of housing markets and housing affordability in Washington was prepared for the Kitsap County Real Estate TRENDS by the Washington Center for Real Estate Research at Washington State University. It is based on a quarterly report published by the Center which examines county-by-county housing markets across the state. Data estimates are based on data from the U.S. Department of Commerce, multiple listing services, local REALTOR associations and private data vendors.

KITSAP COUNTY OUTPERFORMS MOST IN HOUSING RESALE ACTIVITY

Housing markets in Washington State during the first half of 1999 responded to strong underlying economics in most parts of the state, combined with in-migration, especially to urban areas in Western Washington. By the third quarter, Kitsap County was outperforming most of the state in terms of housing resale activity. The Greater Seattle area continued to exhibit the strongest housing markets in the state, despite initial evidence that the housing boom is beginning to slow.

KITSAP COUNTY EXISTING HOME SALES



SLIGHT INCREASE IN MORTGAGE INTEREST RATES SLOWING MARKET

Mortgage interest rates remain very affordable, but reflecting pressure by the federal Reserve Board to fight potential inflation by slowing the economy through higher interest rates, the last several months have seen slow but steady increases in mortgage rates. Since consumers have become accustomed to lower rates, these increases are beginning to cause modest slowing in real estate markets, and less affordable housing as continued price increases are reinforced by higher financing costs.

WASHINGTON CENTER FOR REAL ESTATE RESEARCH

The Washington Center for Real Estate Research uses data from multiple listing systems and other groups that monitor housing market activity throughout the state to compute measures of existing home sales (housing resales, excluding new homes sold). Since many sales take place outside of multiple listing systems, the data is linked to sales reported in the most recent Census (1990).

BY:
GLENN E. CRELLIN
DIRECTOR, WASHINGTON CENTER FOR REAL ESTATE RESEARCH
WASHINGTON STATE UNIVERSITY
P.O. BOX 644861
PULLMAN, WA 99164-4861
(800) 835-9683
DIRECT: (509) 335-1671
FAX: (509) 335-7863

Accordingly, the sales activity reported by the Center will be higher than other measures, but should be generally consistent in terms of percentage changes.

STATEWIDE HOME SALES UP BY 6.5% KITSAP COUNTY SALES UP BY 7.4%

Statewide home sales performance in the third quarter of 1999 was 6.5 percent above a year earlier. Kitsap was one of 15 counties that out-performed the state. The 1,050 sales tallied in the county during the third quarter represented an increase of 7.4 percent compared to 1998.

RESALE HOUSING ACTIVITY —1995-1999
SECOND QUARTERS

County	1995	1996	1997	1998	1999	Percent Change 97-98	Percent Change 98-99
Benton / Franklin	610	700	860	800	800	-7.2	0.0
Clark	940	1,210	1,230	1,510	1,410	22.4	-6.6
King	7,150	8,950	9,340	9,810	10,620	5.1	8.3
Kitsap	**1,020**	**940**	**990**	**1,140**	**1,300**	**14.8**	**13.8**
Pierce	3,150	3,950	4,460	5,540	7,330	24.3	32.4
Snohomish	2,340	3,020	3,340	3,830	3,760	14.8	-1.8
Spokane	1,670	1,710	1,660	1,870	1,850	12.8	-1.0
Thurston	520	670	600	790	840	32.1	6.1
Whatcom	680	600	770	900	940	16.8	4.5
Statewide	23,360	27,320	28,740	32,460	35,130	12.9	8.1

KITSAP COUNTY MEDIAN PRICE ($140K) IS $100K LESS THAN KING

Only real estate licensees and homeowners who are currently trying to sell homes, or potential buyers who are actively searching for a home are concerned with how many homes are selling and how long it takes to market an individual home. All owners and potential owners, however, have keen interest in trends in housing prices. During periods of rapid appreciation, home values are primary topics of conversation at cocktail parties. During slow markets, apprehension about housing values sets in.

After finally joining the much-heralded wave of home price increases in late 1998 and early 1999, Kitsap county experienced a modest retreat during the third quarter, as the median price slid 6.7 percent compared to the third quarter of 1998. The $140,000 median price reported locally was the 10th highest county-wide median in the state, but was roughly $100,000 less than the median price in King county. As expected, most of the higher prices are found in other urban counties. Aside from King, San Juan and Snohomish counties, the next group is very tightly bunched in terms of prices. In general, areas east of the

Cascade Mountains are less expensive.

One additional note about median prices is needed. Half the homes sell for prices above the median, half below. Both buyers and sellers are sometimes confused by these prices. Suburban sellers often forget that there are many less expensive homes in less desirable (by their standards) neighborhoods which help keep the medians down. Meanwhile, prospective buyers may be frightened out of the market by the unfounded belief they can't buy a home for less than the median.

MEDIAN HOME PRICES —1995-1999
SECOND QUARTERS

County	2nd Qtr 1995	2nd Qtr 1996	2nd Qtr 1997	2nd Qtr 1998	2nd Qtr 1999	Percent Change 97-98	Percent Change 98-99
Benton / Franklin	$95,400	$99,300	$101,300	$105,500	$108,300	4.1	2.7
Clark	$116,600	$122,900	$130,000	$138,500	$140,000	6.5	1.1
King	$166,300	$173,000	$186,100	$192,000	$229,500	3.2	19.5
Kitsap	**$124,200**	**$123,500**	**$133,500**	**$137,500**	**$142,000**	**3.0**	**3.3**
Pierce	$121,100	$126,400	$127,800	$137,000	$143,000	7.2	4.4
Snohomish	$149,600	$152,800	$163,600	$170,000	$184,600	3.9	8.6
Spokane	$98,100	$101,000	$103,300	$103,600	$103,800	0.3	0.2
Thurston	$116,500	$120,900	$125,000	$129,000	130,000	3.2	0.8
Whatcom	$121,200	$130,800	$133,400	$137,200	$144,600	2.8	5.4
Statewide	$132,600	$143,900	$149,800	$158,900	$168,800	6.1	6.2

AFFORDABILITY IN KITSAP BETTER THAN MOST OF STATE

Affordability is calculated two ways. The "all-buyer" index assumes a purchaser selects the area's median price home, makes a 20% down payment, and takes out a 30-year mortgage at prevailing interest rates. This buyer is assumed to earn a typical or median income for a family (no one-person house-holds) in the area. The question then arises, could this typical family afford the monthly payments on a typical home? During the third quarter of 1999, the answer was "yes".

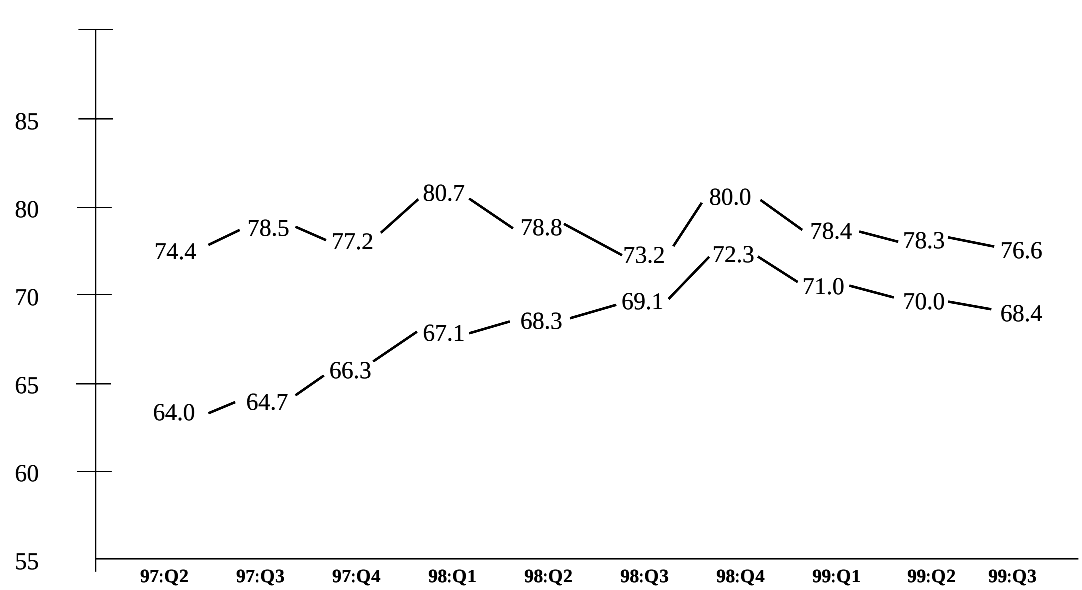
The statewide All-Buyer Affordability index was 116.7, meaning the typical family had 16.7 percent more income than the bare minimum required to qualify for the home. Housing affordability in Kitsap county remained better than in most areas of the state, recording an index of 124.0. Urban areas ranged from a low of 108.5 in King county to a high of 173.6 in Benton county (Tri-Cities area). Housing was modestly less affordable at mid-year 1999 than it had been a year earlier in all urban areas of the state. Higher mortgage interest rates and increasing prices served to overcome income gains in most communities.

FIRST-TIME BUYER INDEX

The real issue of affordability, however, is the ability of household to purchase their first home. The calculation of the “First-time Buyer Index” begins with a less expensive home (85% of median), a 10% downpayment, and a 30-year loan with private mortgage insurance. To account for the fact that most higher-income households are already home owners, the comparative income level is 70% of the median household income (single-persons are more likely to be first-time buyers). The resulting picture of Washington is a place where it is difficult to buy your first home. The typical renter who might want to own a home has only 68.4 percent of the income required to qualify for a mortgage on the typical starter home.

Kitsap county’s first-time buyer affordability in the third quarter stood at 76.6. This relative affordability for first-time buyers in the county may be the key in attracting new business to the county.

HOUSING AFFORDABILITY INDEX (FIRST-TIME BUYERS)
(LAST 10 QUARTERS COMPARING STATEWIDE TO KITSAP COUNTY)



ALL-BUYER INDEX AND FIRST-TIME BUYER INDEX BOTH SHOW KITSAP IS AFFORDABLE

The Chart below illustrates the relative affordability of Single-Family homes in Kitsap County utilizing both ways of calculating affordability (All-buyer Index and First-time Buyer Index).

HOUSING AFFORDABILITY CONDITIONS - LAST FIVE QUARTERS

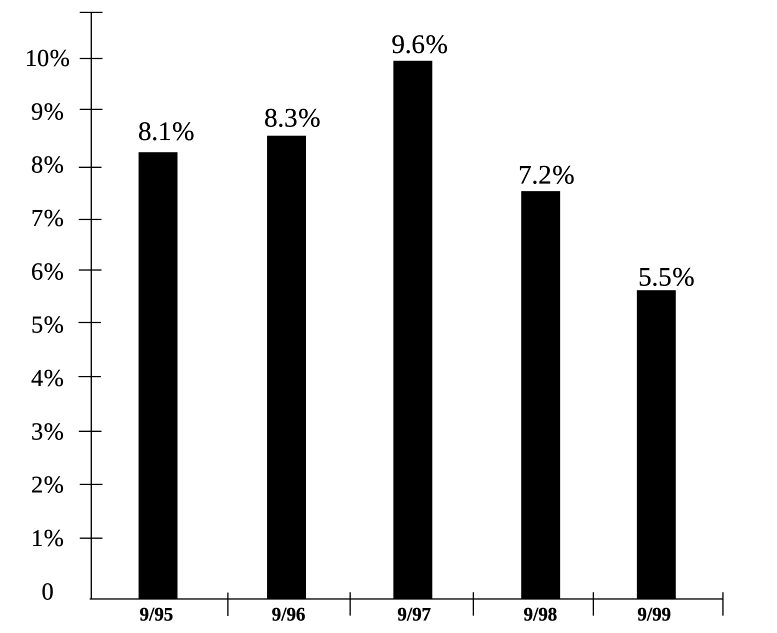
County	All-Buyer Affordability					First-Time Buyer Affordability				
	98:Q3	98:Q4	99:Q1	99:Q2	99:Q3	98:Q3	98:Q4	99:Q1	99:Q2	99:Q3
Benton/	191.6	196.3	195.9	190.2	173.6	114.8	117.5	117.5	113.9	104.0
Franklin	122.7	123.6	123.4	126.5	118.6	75.3	75.9	75.9	77.4	72.4
Clark	139.4	145.8	149.8	143.7	137.8	85.1	88.7	91.2	87.7	74.1
King	112.8	118.9	113.1	115.6	108.5	63.9	67.4	64.2	65.8	61.9
Kitsap	118.3	129.1	126.5	126.6	124.0	73.2	80.0	78.4	78.3	76.6
Pierce	133.0	139.3	136.9	134.0	126.1	80.0	83.8	82.4	80.2	75.3
Snohomish	119.7	120.6	120.1	116.9	111.6	74.3	74.8	74.5	72.9	69.9
Spokane	158.5	171.7	169.1	167.1	153.2	88.7	95.9	94.5	93.5	85.8
Thurston	147.7	150.0	155.0	146.6	138.7	88.3	89.5	92.5	87.1	82.3
Whatcom	130.7	130.0	132.2	128.3	124.0	73.7	73.3	74.5	72.5	70.2
Statewide	*122.7*	*128.6*	*126.1*	*121.0*	*116.7*	*69.1*	*72.3*	*71.0*	*70.0*	*68.4*

Washington Center for Real Estate Research
Washington State University
Web Site: www.cbe.wsu.edu/~wcrer

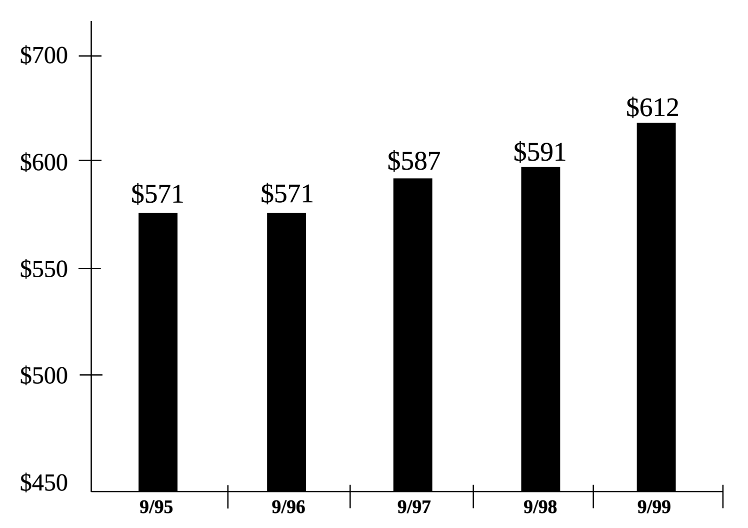
VACANCIES ARE DOWN/ RENTS ARE UP:

As of September of 1999, only 5.5% of all available apartments in Kitsap County were vacant. This is the lowest vacancy rate in the last five years. The vacancy and rental rate surveys were supplied by Dupre + Scott Apartment Advisors, Inc. of Seattle, Washington.

KITSAP COUNTY VACANCY RATES
(SEPTEMBER 1995 TO SEPTEMBER 1999)



KITSAP COUNTY AVERAGE RENTS
(SEPTEMBER 1995 TO SEPTEMBER 1999)



BY
PATTY DUPRE AND
MIKE SCOTT
DUPRE + SCOTT
APARTMENT
ADVISORS, INC.
206.935.3458
206.935.6763 FAX

Average Rents/Vacancy Rates By Area (September 1999)

Bremerton	**$585/mo**	**(6.8% vacancy rate)**
Port Orchard	**$554/mo**	**(4.4% vacancy rate)**
Poulsbo	**$715/mo**	**(1.2% vacancy rate)**
Silverdale	**$653/mo**	**(5.7% vacancy rate)**

Contact Dupre + Scott for more detailed information like Average Days Vacant and percentage Turnover.

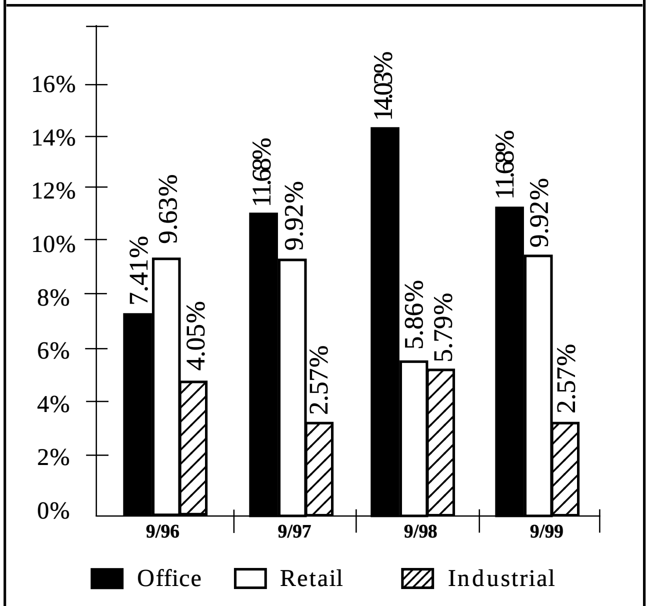
Email: apts@dsaa.com

COUNTYWIDE VACANCY RATES SHOW INCREASES IN RETAIL AND INDUSTRIAL MARKETS, WHILE OFFICE VACANCIES DECLINE

The Bradley Scott, Inc. office, retail and industrial vacancy surveys show some mixed results, with retail and industrial vacancies increasing, while the office sector shows improvement.

Office Market: The **Bradley Scott, Inc.** survey of over 2 million square feet of office space indicates vacancies in the office market have decreased nearly 1% to 13.08%.

KITSAP COUNTY OFFICE, RETAIL & INDUSTRIAL VACANCY RATES (SEPTEMBER 1995 TO SEPTEMBER 1999)

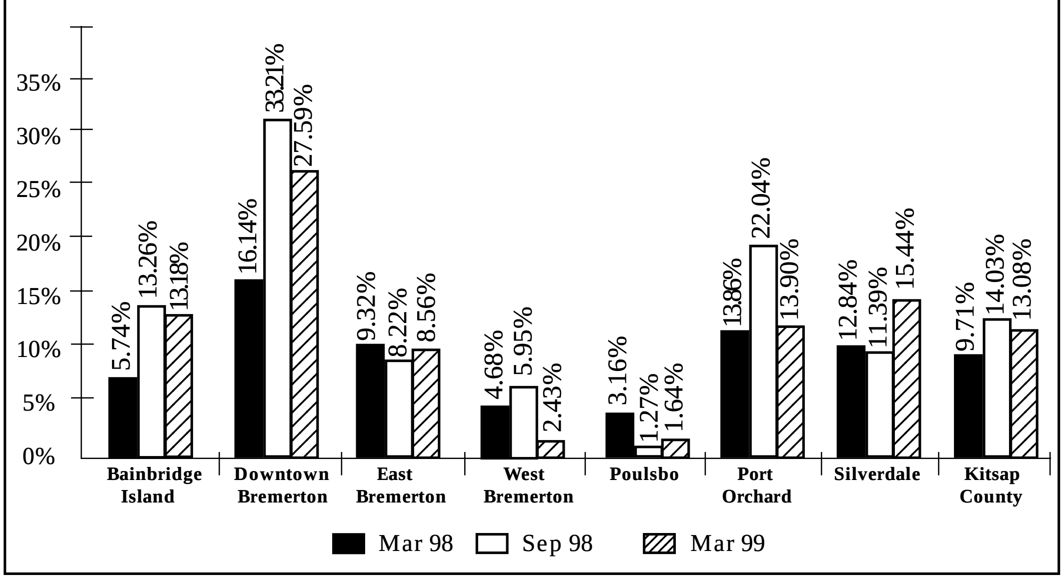


BY
TIM ARNOLD,
PRESIDENT AND
GARY GARTIN
BRADLEY SCOTT INC.
COMMERCIAL REAL
ESTATE
360.479.6900
360.479.5499 FAX

KITSAP COUNTY OFFICE VACANCY SURVEY AS OF MARCH 1999			
	Office Space (Sq. ft.)		*Percent*
Area	*Surveyed*	*Vacant*	*Vacant*
Bainbridge Island	165,874	21,859	13.18%
Downtown Bremerton	486,682	134,349	27.59%
East Bremerton	229,785	19,669	8.56%
West Bremerton	210,216	5,099	2.43%
Poulsbo	432,909	7,086	1.64%
Port Orchard	104,866	14,578	13.90%
Silverdale	452,985	69,937	15.44%
Total	**2,083,497**	**272,577**	**13.08%**
Source: Bradley Scott, Inc.			

Downtown Bremerton showed some improvement with vacancies dropping nearly 6%. Port Orchard also experienced a drop in vacancies of over 8%, as did West Bremerton dropping nearly 3.5%.

KITSAP COUNTY
OFFICE VACANCY RATES



Retail Market: Bradley Scott, Inc. surveyed over 4.6 million square feet of retail space throughout Kitsap County. Vacancies in the retail market climbed nearly 1% to 6.62%.

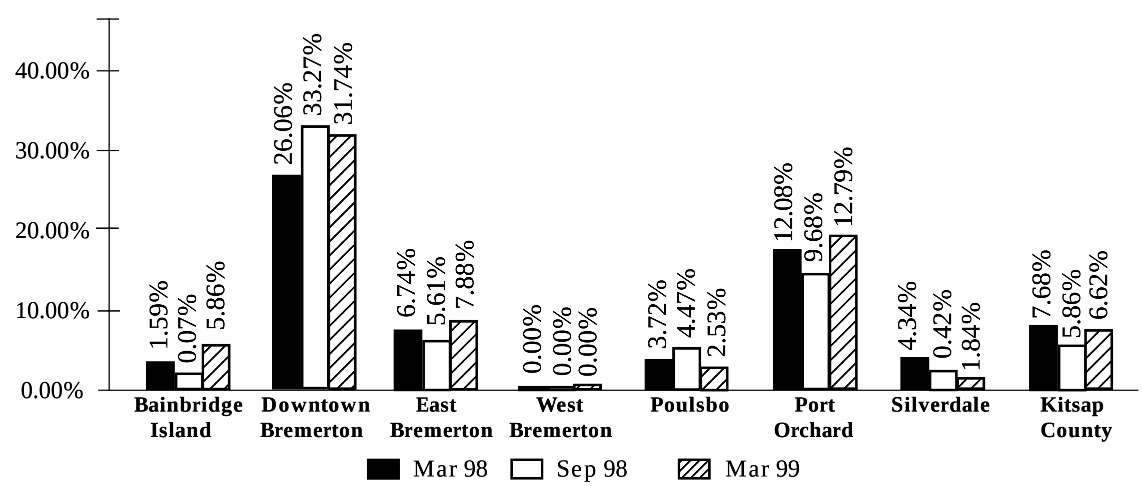
KITSAP COUNTY
RETAIL VACANCY SURVEY
AS OF MARCH 1999

	Retail Space (Sq. ft.)		*Percent*
Area	*Surveyed*	*Vacant*	*Vacant*
Bainbridge Island	144,795	8,489	5.86%
Downtown Bremerton*	227,267	72,138	31.74%
East Bremerton	976,332	76,908	7.88%
West Bremerton	120,428	0	0.00%
Poulsbo	249,354	6,302	2.53%
Port Orchard	866,932	110,874	12.79%
Silverdale	2,191,419	40,239	1.84%
Total	**4,631,732**	**306,461**	**6.62%**

**Does not include 173,102 square feet of the Penney's & Sears buildings*
Source: Bradley Scott, Inc.

Major moves in the retail market came in Bainbridge where vacancies increased from 1.07% to 5.86%, along with an increase in Port Orchard by 3%. Poulsbo bucked the trend with vacancies declining by 2%.

KITSAP COUNTY
RETAIL VACANCY RATES

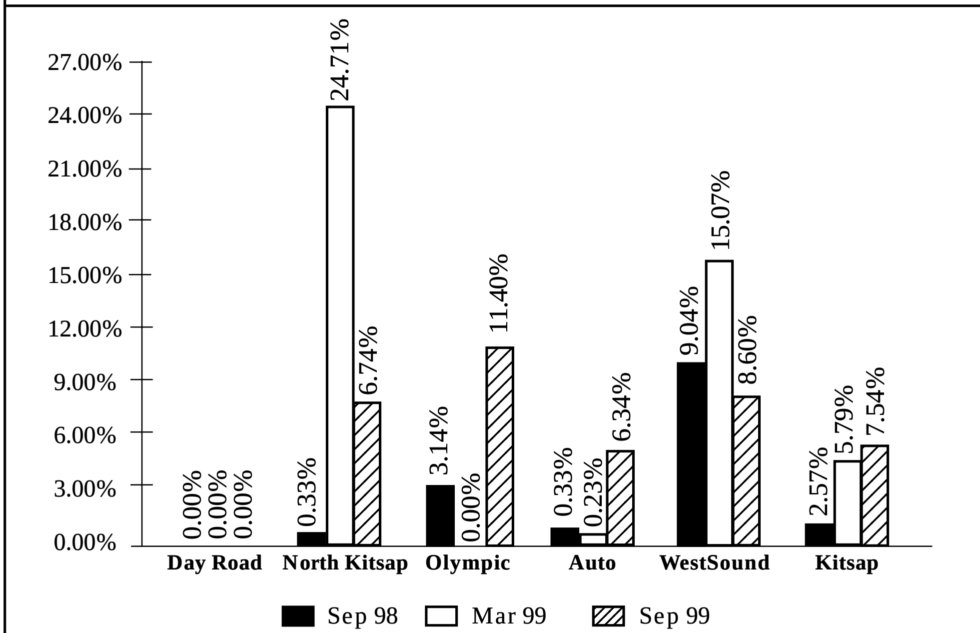


Industrial Market: Kitsap County is currently limited to three major industrial parks, Olympic View (Port of Bremerton), North Kitsap and Day Road on Bainbridge Island. The Auto Center area of Bremerton is also surveyed, which has the largest concentration of industrial space in the county. The WestSound Business Park is also included to provide a look at the East Bremerton market.

KITSAP COUNTY INDUSTRIAL VACANCY SURVEY AS OF MARCH 1999				
		Industrial Space (Sq. ft.)		*Percent*
Industrial Park	*Area*	*Surveyed*	*Vacant*	*Vacant*
Day Road	Bainbridge	109,000	0	0.00%
North Kitsap	Poulsbo	222,538	15,000	6.74%
Olympic View	Port Orchard	350,800	40,000	11.40%
Auto Center Area	Bremerton	339,755	21,547	6.34%
West Sound BP	E. Bremerton	46,500	4,000	8.60%
Total		**1,068,593**	**80,547**	**7.54%**
Source: Bradley Scott, Inc.				

From this survey, Bradley Scott, Inc. found a total of 80,547 square feet of space available, indicating a countywide vacancy rate of 7.54%, nearly 2% higher than in September 1998 and the second highest rate experienced in the six years surveying this market (September 1993 - 9.27%).

KITSAP COUNTY
INDUSTRIAL VACANCY SURVEY



The enrollment of the five school districts of Kitsap County is summarized in the table below. Enrollment has declined in all but the Bainbridge Island School District which grew by 2.7%. Bremerton experienced the greatest school enrollment decline (18.8%).

KITSAP COUNTY
SCHOOL DISTRICT HEADCOUNT ENROLLMENT

District	*1994*	*1995*	*1996*	*1997*	*1998*	*1999*
Bremerton	**6,000**	**5,869**	**5,979**	**6,157**	**5,991**	**4,862**
% Change		*-2.2%*	*1.9%*	*3.0%*	*-2.7%*	*-18.8%*
Elementary	4,234	4,116	4,151	4,181	3,987	2,914
Junior High	716	743	813	915	868	805
High School	1,050	1,010	1,015	1,061	1,136	1,143
Central Kitsap	**13,035**	**13,148**	**13,547**	**13,643**	**13,606**	**12,841**
% Change		*-1.2%*	*3.0%*	*0.7%*	*-0.3%*	*-5.6%*
Elementary	7,332	7,113	7,290	7,262	7,161	6,572
Junior High	3,089	3,115	3,306	3,343	3,357	3,287
High School	2,884	2,920	2,951	3,038	3,088	3,027
North Kitsap	**6,480**	**6,815**	**6,861**	**6,922**	**7,007**	**6,840**
% Change		*5.2%*	*0.7%*	*0.9%*	*1.2%*	*-2.4%*
Elementary	3,634	3,837	3,770	3,776	3,704	3,622
Junior High	1,499	1,576	1,661	1,653	1,694	1,639
High School	1,347	1,402	1,430	1,493	1,609	1,579
South Kitsap	**N/A**	**11,134**	**11,421**	**11,671**	**11,533**	**10,998**
% Change			*2.6%*	*2.2%*	*-1.2%*	*-4.6%*
Elementary	N/A	6,036	6,267	6,316	6,217	5,599
Junior High	N/A	2,748	2,816	2,846	2,797	2,837
High School	N/A	2,350	2,338	2,509	2,519	2,562
Bainbridge Island	**3,155**	**3,207**	**3,407**	**3,544**	**3,664**	**3,763**
% Change		*1.6%*	*6.2%*	*4.0%*	*3.4%*	*2.7%*
Elementary (K-6)	1,642	1,699	1,763	1,828	1,894	1,941
Mid School (7-8)	497	550	583	577	589	588
High School (9-12)	1,016	958	1,061	1,139	1,181	1,234
Kitsap County	**28,940**	**29,039**	**29,794**	**30,266**	**30,268**	**28,306**
% Change		*0.3%*	*2.6%*	*1.6%*	*0.0%*	*-6.5%*
Elementary	16,842	16,765	16,974	17,047	16,746	15,004
Junior High	5,801	5,984	6,363	6,488	6,508	6,319
High School	6,297	6,290	6,457	6,731	7,014	6,983

TAXABLE RETAIL SALES UP A SOLID 5.82% THROUGH 3 QUARTERS OF 1998

In 1997 total taxable retail sales were up a strong 6.65% and in the third quarter of 1998 (most recent data available) sales were up 8.99% from the third quarter of 1997.

KITSAP COUNTY
TAXABLE RETAIL SALES

Year	*Taxable Retail Sales*	*Percent Change*	*Qtr/Year*	*Taxable Retail Sales*	*Percent Change*
1980	$528,279,347	----	1st Qtr '95	$393,363,499	2.52%
1981	$540,137,202	2.24%	1st Qtr '96	$407,714,593	3.65%
1982	$636,833,263	17.90%	1st Qtr '97	$431,160,482	5.75%
1983	$707,197,296	11.05%	1st Qtr '98	$442,897,918	2.72%
1984	$759,860,882	7.45%			
1985	$771,917,590	1.59%	2nd Qtr '95	$453,926,265	3.73%
1986	$836,295,919	8.34%	2nd Qtr '96	$453,979,424	0.01%
1987	$902,673,726	7.94%	2nd Qtr '97	$478,529,936	5.41%
1988	$979,921,052	8.56%			
1989	$1,138,367,735	16.17%	3rd Qtr '95	$453,926,265	-0.97%
1990	$1,329,900,000	16.83%	3rd Qtr '96	$483,552,508	6.53%
1991	$1,439,071,000	8.21%	3rd Qtr '97	$511,798,089	5.84%
1992	$1,551,858,969	7.84%			
1993	$1,658,975,823	6.90%	4th Qtr '95	$477,965,000	7.88%
1994	$1,774,168,669	6.94%	4th Qtr '96	$490,952,409	2.72%
1995	$1,768,303,003	-0.33%	4th Qtr '97	$536,873,718	9.35%
1996	$1,836,198,934	3.84%			
1997	$1,958,346,681	6.65%			
Q3-97	$1,421,488,507				
Q3-98	$1,504,200,429	**5.82%**			

Source: Department of Revenue (dor.wa.gov)

Through the first three quarters of 1998, taxable retail sales have risen 5.82% over the first three quarters of 1997.

INFLATION IN APRIL POSTS LARGEST INCREASE SINCE OCTOBER 1990

The price of U.S. consumer goods jumped sharply in April, posting the largest increase since October 1990, as gasoline prices surged.

CONSUMER PRICE INDEX ALL URBAN CONSUMERS					
U.S. City Average			Seattle-Tacoma		
Year	CPI	Annual % Change	Year	CPI	Annual % Change
1980	82.4	**13.5%**	1980	82.7	**16.6%**
1981	90.9	**10.3%**	1981	91.8	**11.0%**
1982	97.6	**7.4%**	1982	97.7	**6.4%**
1983	101.3	**3.8%**	1983	99.3	**1.6%**
1984	105.3	**3.9%**	1984	103.0	**3.7%**
1985	109.3	**3.8%**	1985	105.6	**2.5%**
1986	110.5	**1.1%**	1986	106.7	**1.0%**
1987	115.4	**4.4%**	1987	109.2	**2.3%**
1988	120.5	**4.4%**	1988	112.9	**3.4%**
1989	126.1	**4.6%**	1989	118.2	**4.7%**
1990	133.8	**6.1%**	1990	126.8	**7.3%**
1991	137.9	**3.1%**	1991	134.1	**5.8%**
1992	141.9	**2.9%**	1992	139.0	**3.7%**
1993	145.8	**2.7%**	1993	142.9	**2.8%**
1994	149.7	**2.7%**	1994	147.8	**3.4%**
1995	153.5	**2.5%**	1995	152.3	**3.0%**
1996	158.6	**3.3%**	1996	157.5	**3.4%**
1997	161.3	**1.7%**	1997	163.0	**3.5%**
1998	163.9	**1.6%**	1998	167.8	**6.5%**
April 99	*166.2*	***2.6%***	*2nd Half 1998*	*168.9*	***2.9%***
Source: U.S. Bureau of Labor Statistics					

Consumer Price Indexes

The Labor Department's closely watched index for tracking inflation, the consumer-price index, rose a seasonally adjusted 0.7% in April and is now up 2.3% on an annualized basis.

The wider-than-anticipated increase was primarily due to a 6.1% surge in energy prices, the largest increase since the government started tracking that data in 1957. For the first four months of the year, energy prices were up by an annualized 24.5% in April. Year-over-year, prices were up 3%. Gasoline prices surged, advancing 15% in April.

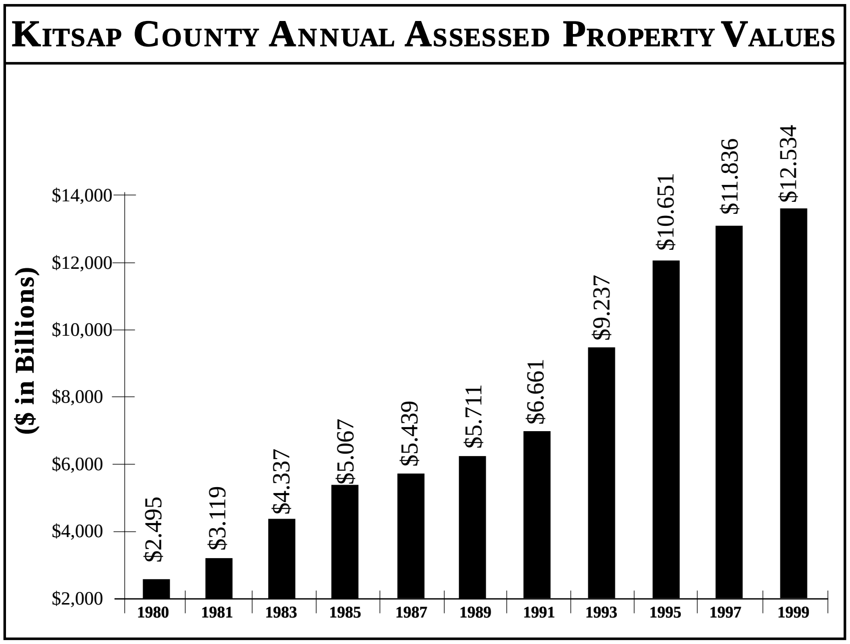
Excluding energy and food, the consumer-price data revealed a slightly more benign inflation scenario, with the core consumer-price index rising 0.4% in April. The core CPI rose 2.2% from a year earlier.

Both inflation numbers were higher than anticipated, however. The median forecast of 16 economists surveyed by Dow Jones Newswires and CNBC called for a 0.4% boost in the CPI and a 0.2% rise in the core index.

In the previous month, the inflation picture was much more tame. The consumer-price index was up only 1.7% on an annualized basis in March, the Labor Department said, and many analysts and economists used the data to support the emerging theory of a new economy. According to this new paradigm, inflation and high employment can coexist as a result of higher productivity and technological innovation.

PROPERTY VALUES CONTINUE TO GROW; NEW CONSTRUCTION DECLINES FOR THE FIFTH YEAR IN A ROW

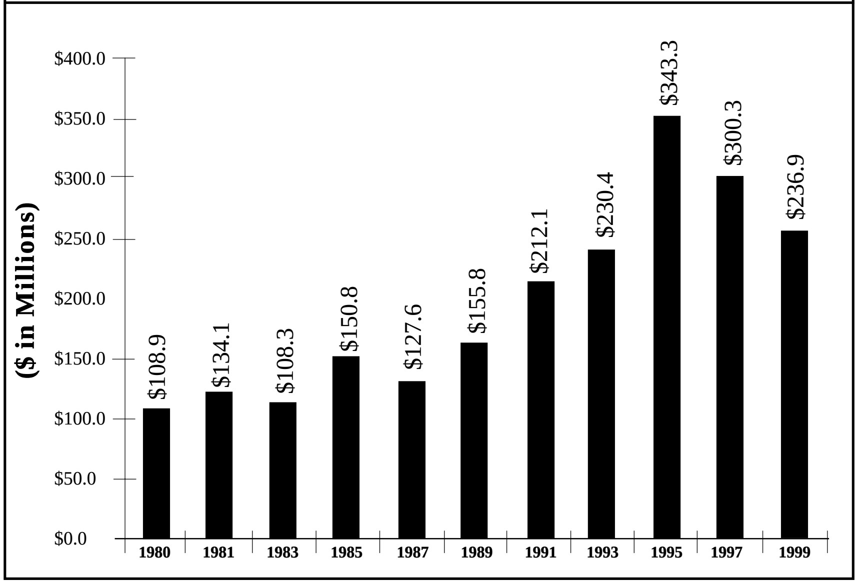
The total assessed value of all properties in Kitsap County for 1999 increased by 2.38% over 1998 to $12.543 billion.



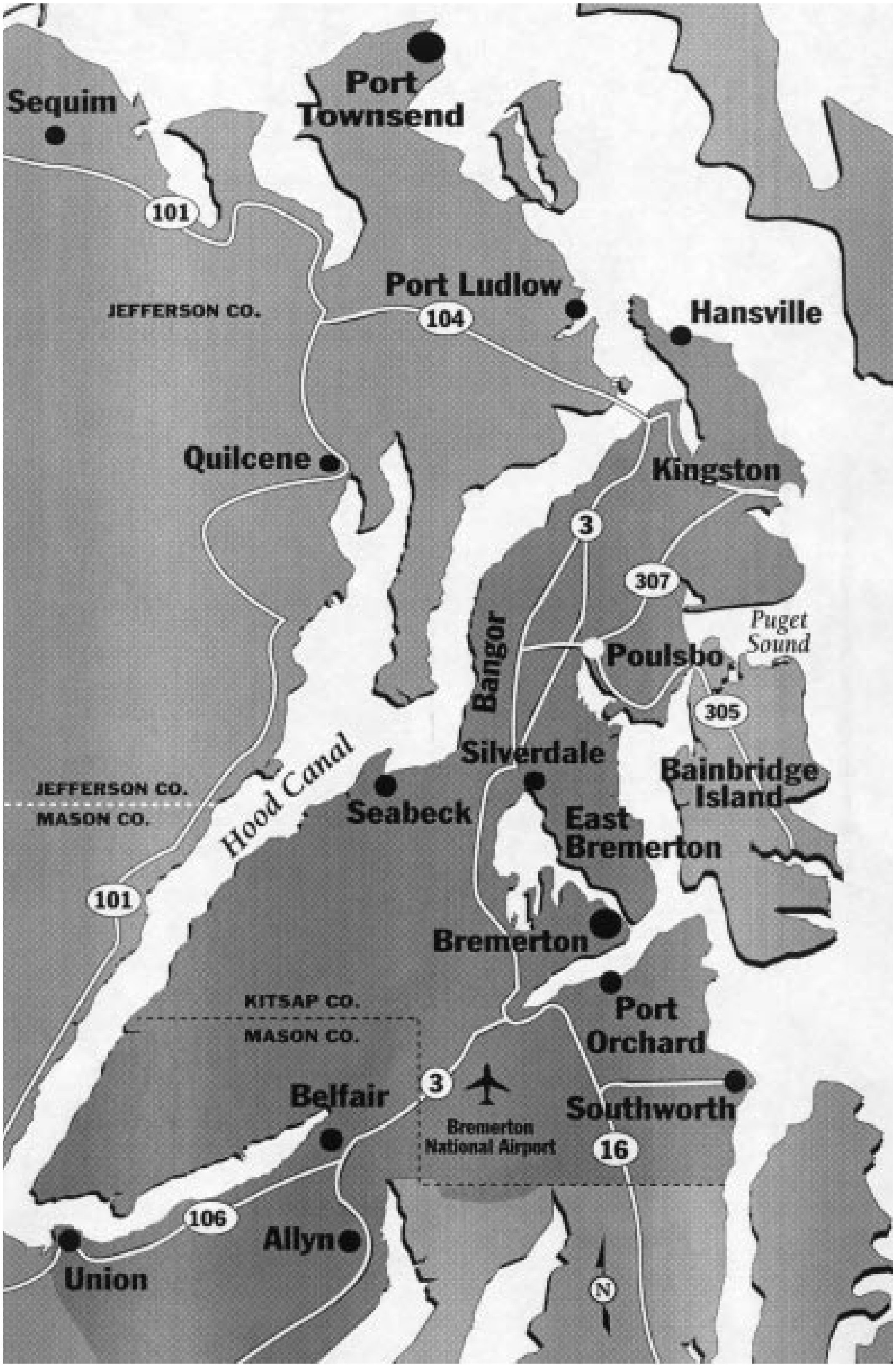
Kitsap County Assessed Property Values

Assessed value of new construction hitting the assessor roles has continued to decrease, since peaking in 1994. New construction for 1999 was valued at $236.9 million down 11.77% from 1998. However, with commercial permits up strongly, we may see an upturn next year.

Kitsap County New Construction Assesses Values



Assessed Property Values



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